

Message Text

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ACTION EB-08

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TAGS: EAIR, CA

SUBJECT: CIVAIR: CONSULTATIONS

REF: STATE 128271

1. WE DISCUSSED HUGHES AIRWEST FILING (REFTEL) WITH CHIEF OF AIR TRANSPORT COMMITTEE (ATC) FARES, RATES AND SERVICES DIVISION (SULLIVAN) MAY 23.
2. SULLIVAN REVIEWED HISTORY OF HUGHES FILING; FARES WERE FILED TO BECOME EFFECTIVE APRIL 15, 1978; NOTICE OF CANADIAN DISSATISFACTION WITH THE FILING WAS ISSUED MARCH 31 (OTTAWA 1594); AS DATE OF EFFECTIVENESS APPROACHED AND NO ACTION HAD BEEN TAKEN BY HUGHES TO MODIFY THE FARES, AIR TRANSPORT COMMITTEE ISSUED ORDER APRIL 13 SUSPENDING THE FARES CITING PROTEST BY AIR CANADA THAT THE "BUSINESS" CLASS FARES "...HAD NOT BEEN JUSTIFIED AND WILL BE DIVERSIONARY AND DILUTIONARY, AND ARE EXCESSIVELY LOW; AND THAT THE COMMUTER CLASS FARES WILL BE DIVERSIONARY..."
3. SUBSEQUENT TO SUSPENSION ORDER, HUGHES PETITIONED ATC (MAY 5) TO RECONSIDER THE DISPUTED FARES AND REMOVE THE SUSPENSION ORDER. MORE RECENTLY, BEFORE ATC HAD MADE ANY DECISION ON PETITION OF MAY 5, HUGHES INFORMED ATC IT

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INTENDS TO WITHDRAW OBJECTIONABLE FARES FROM FILING AND REFILE (FILING EXPECTED MAY 23 OR 24) FOR EFFECTIVENESS ONE DAY AFTER FILING AMENDED PACKAGE WHICH WILL ALLOW IT TO OFFER FULL RANGE OF COMPETITIVE FARES ON ITS ROUTES. IF THIS ACTION IS TAKEN BY HUGHES, THEN ATC SUSPENSION ORDER AND PETITION TO RECONSIDER IT BECOME MOOT SINCE DISPUTED FARES WOULD NO LONGER BE BEFORE ATC.

4. SULLIVAN SAID HE EXPECTED HUGHES WOULD LATER REFILE SEPARATELY FARES PREVIOUSLY FOUND OBJECTIONABLE (SPECIFICALLY FARES E-15, K, AND I). HOWEVER, BALL WOULD BE IN HUGHES' COURT, AS NOTED ABOVE.

5. IN RESPONSE TO SPECIFIC QUESTION ABOUT ECONOMIC RATIONALE ON WHICH ATC SUSPENSION WAS BASED, SULLIVAN SAID SUSPENSION WAS BASED ON AIR CANADA OBJECTION WITH WHICH ATC AGREED. SUSPENSION DID NOT FORECLOSE FURTHER CONSIDERATION OF HUGHES PROPOSALS AND ATC STILL WILLING TO RECEIVE FURTHER JUSTIFICATION FOR FARES FROM HUGHES IF, IN FACT, FARES ARE STILL BEFORE ATC FOR CONSIDERATION (IF HUGHES DOES DELETE FARES FROM ITS FILING, AS NOTED ABOVE, THAT WOULD REQUIRE HUGHES TO REFILE THEM). AT THAT STAGE, ATC WOULD GO INTO ECONOMIC DETAIL OF THE FARES AND AIR CANADA'S OBJECTIONS TO THEM.

6. SULLIVAN POINTED OUT THAT NOTICE OF DISSATISFACTION/ SUSPENSION ACTIONS TAKEN TO PROTECT CANADIAN POSITION WHILE FARES WHICH HAD BEEN OBJECTED TO BY CANADIAN CARRIER WERE UNDER CONSIDERATION. HE SAID FARES FILED BY US CARRIERS NEED NOT BE SAME AS AIR CANADA'S FARES BUT POINTED OUT CANADIAN CARRIERS' COSTS ARE HIGHER THAN THOSE OF US CARRIERS. HE SAID CANADIANS CONSIDER US IS MOVING TOO FAST ON WIDE RANGE OF DISCOUNT FARES WHILE CANADIANS PREFER LIMITED OFFICIAL USE

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TO MOVE MORE GRADUALLY.

7. OTHER US CARRIERS, SULLIVAN RECALLED, AFTER CANADA HAD NOTED ITS DISSATISFACTION WITH THEIR DISCOUNT FARES, MODIFIED THEIR FILINGS SO THAT CANADIAN RULES ARE APPLICABLE FOR FLIGHTS ORIGINATING IN CANADA AND US RULES APPLY TO US-ORIGIN FLIGHTS; AIR CANADA MATCHES THESE FARES. IN SOME CASES THIS RESULTS IN DIFFERENTIAL FARE LEVELS; IN OTHERS, ONLY ADVANCE PURCHASE TERMS OR OTHER CONDITIONS VARY DEPENDING ON POINT OF ORIGIN. HUGHES, HOWEVER, DID NOT PROPOSE TO MODIFY ITS FILING ALONG THESE LINES.

8. COMMENT: WHILE ATC MAINTAINS IT HAS AN OPEN MIND TO INNOVATIVE FARES AND IS PREPARED TO CONSIDER SERIOUSLY ANY FILING WHETHER OR NOT IT IS SIMILAR TO CANADIAN CARRIERS' FILINGS, IT, LIKE THE EUROPEANS, CLEARLY DOES NOT SHARE US VIEWS ON THE BENEFITS OF WHAT IT CONSIDERS IMPRUDENT RUSH TO CUT AIR FARES IN ALL MARKETS.

9. IF HUGHES ACTS AS CANADIANS UNDERSTAND IT INTENDS TO, THEN WE WOULD HAVE OPPORTUNITY TO REQUEST CONSULTATIONS UNDER ARTICLE XIII(E) OF BILATERAL WHEN, AS SEEMS LIKELY,

CANADIANS AGAIN WOULD NOTE DISSATISFACTION WITH REFILED
DISCOUNT FARES. ALTERNATIVELY, WE COULD REQUEST CONSULT-
ATIONS UNDER ARTICLE XIV. IN EITHER SITUATION, HOWEVER,
WE DOUBT ATC WOULD BE VERY RECEPTIVE TO AGREEING TO A MORE
PERMISSIVE ATTITUDE TOWARD LOWER FARES. ENDERS

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